



# Farm Bill Overview

## U.S. Senator Debbie Stabenow

On May 8, 2002, the conference report for the Farm Security and Rural Investment Act of 2002 (the farm bill) passed the Senate by a vote of 65-34. I presided over the Senate for this historic moment and was proud to cast my vote in favor of the bill. As the first Senator from Michigan to serve on the Senate Agriculture Committee in nearly 40 years, I worked hard to ensure that our state's unique needs were addressed.

The new farm bill represents a significant investment in many key agricultural priorities and provides \$73.5 billion in new funding for agriculture. The bill includes landmark new provisions for specialty crops, income protection for producers, a greatly increased commitment to conservation, an innovative energy title, expanded nutrition assistance, provisions making farmers and ranchers more competitive, and much-needed assistance for rural development. President Bush signed the farm bill into law on May 13, 2002.

### ***Title I - Commodities***

Farmers have seen prices drop dramatically since the current farm bill was enacted. Net farm income has dropped by 25 percent since 1996.

The new farm bill provides enhanced counter-cyclical income protection that provides less help in good years and more help in bad years, when farmers need it most. The income safety net provides higher loan rates and a new counter-cyclical program with updated yields that will support producers when prices are low.

*Table 1. Loan Rates, Direct Payments, and Target Prices in the Farm Bill.*

Product/Amount	Loan Rate		Direct Payment	Target Price	
	2002-2003	2004-2007		2002-2003	2004-2007
Corn (bu)	\$1.98	\$1.95	\$0.28	\$2.60	\$2.63
Sorghum (bu)	\$1.98	\$1.95	\$0.35	\$2.54	\$2.57
Barley (bu)	\$1.88	\$1.85	\$0.24	\$2.21	\$2.24
Oats (bu)	\$1.35	\$1.33	\$0.024	\$1.40	\$1.44
Wheat (bu)	\$2.80	\$2.75	\$0.52	\$3.86	\$3.92
Soybean (bu)	\$5.00	\$5.00	\$0.44	\$5.80	\$5.80
Oilseeds (bu)	\$0.0960	\$0.0930	\$0.0080	\$0.0980	\$0.1010
Cotton (lb)	\$0.52	\$0.52	\$0.0667	\$0.7240	\$0.7240
Rice (cwt)	\$6.50	\$6.50	\$2.35	\$10.50	\$10.50

The enhanced safety net is created while spending less than has been provided in ad hoc assistance in each of the last four years. This farm bill is better constructed than the previous farm bill because it reflects what producers are doing on the land now - not what they were doing decades ago. See the chart above for important information on new loan rates, payments, and target prices.

**Payment limits.** The farm bill decreases the maximum payment limitation from \$550,000 in annual government assistance in the House bill to \$360,000. The bill also makes ineligible for commodity and conservation payments any person or entity with an adjusted gross income of \$2.5 million or more who do not receive at least 75 percent of their income from farming. The triple entity rule is maintained.

**Dairy.** The farm bill creates a national counter-cyclical safety net for all dairy farmers. All dairy producers across the nation would receive equal payments in months when the price of Class I milk in the Boston region falls below \$16.94 per hundred pounds on the first 2.4 million pounds of annual milk production per producer.

## ***Title II - Conservation***

The farm bill makes conservation a centerpiece of farm policy for the first time and includes \$17.1 billion for conservation - an 80 percent increase over previous spending and the most money for conservation in the history of the farm bill. The bill provides support for removing sensitive land from agricultural production and incentives for continuing and adopting new conservation practices on working lands. Below is detailed information about all of the programs included and their funding levels.

## ***Title III - Trade***

The farm bill provides \$1.14 billion over six years for commercial export programs and food aid programs. The conference report increases funding to \$650 million for the Market Access Program; \$19 million for Technical Assistance for Specialty Crops; \$67 million for the Foreign Market Development Cooperator Program; \$308 million for the Food for Progress program; and \$100 million for the Global Food for Education Initiative. Removal of restrictions on private financing of sales of food and medicine in Cuba was not included in the final bill

## ***Title IV - Nutrition***

The farm bill provides \$6.4 billion over six years for nutrition programs. The conference report includes funding to extend transitional food stamps for families moving from welfare to work and increase funding for emergency food distribution. The bill restores

Food Stamp Program benefits for all legal immigrants who have lived in the U.S. for at least five years, and provides the immediate restoration of food stamp benefits to legal immigrant children and the disabled.

*Table 2. Conservation Programs in the Farm Bill.*

<b>Program</b>	<b>Description</b>	<b>Funding</b>
Conservation Reserve Program	Acreage cap increased to 39.2 million acres. Expands wetlands pilot program to one million acres, with all states eligible.	\$1.517 billion
Wetlands Reserve Program	Acreage cap increased to 2.275 million acres.	\$1.5 billion
Grasslands Reserve Program	2 million acres of virgin and improved pastureland can be enrolled	\$254 million
Farmland Protection Program	The new funding is nearly a 20-fold increase over the last farm bill	\$985 million
Wildlife Habitat Incentives Program	The new funding is a 10-fold increase over the last farm bill	\$700 million
Environmental Quality Incentives Program	Funds are split 60-40 between livestock and crop producers.	\$9 billion (\$1.3 billion in annual funding)
Water Conservation Program	Cost share incentives and assistance for efforts to conserve ground and surface water. \$50 million is reserved specifically to assist producers in the Klamath Basin.	\$600 million
Conservation Security Program	Incentive payment program for maintaining and increasing farm and ranch stewardship practices.	\$2 billion
Small Watershed Rehabilitation Program	Funding for the rehabilitation of aging small watershed impoundments.	\$275 million
Underserved states	Continues program begun in the Agricultural Risk Protection Act of 2000	\$50 million
Desert Terminal Lakes	Funding to help conserve desert terminal lakes	\$200 million
<b>Total</b>		<b>\$17.1 billion</b>

## ***Title V - Credit***

The farm bill reauthorizes farm lending programs and provides greater access to farm credit programs for farmers and ranchers. The USDA will increase its share of down payment loans for beginning farmers and extends the duration of these loans. Also, a pilot program is established to encourage beginning farmers to purchase farms on a land contract basis.

## ***Title VI - Rural Development***

The farm economy provides more than \$1.3 trillion to our national economy and accounts for 24 million jobs. A recent study by the Bureau of Labor Statistics shows that farmers and ranchers are expected to lose 328,000 jobs over the next ten years - more than any other sector of the economy. Economic revitalization is a key component to a vibrant rural America.

The conference report provides \$1.03 billion to increase incomes, boost economic growth, and create jobs. The conference report provides \$100 million for a rural strategic investment program; \$100 million for a rural business equity investment program; \$360 million for rural development water and wastewater backlogs program; \$100 million for broadband service in rural areas; \$80 million for rural local television broadcast signal loan guarantees; \$240 million for value-added agricultural market development grants; and \$50 million for a rural firefighters and emergency personnel grant program.

## ***Title VII - Research***

The farm bill would provide \$1.3 billion over six years for research programs. The Initiative for Future Agriculture and Food Systems program would receive \$120 million in 2002 increasing to \$200 million in 2007.

## ***Title VIII - Forestry***

The farm bill provides \$100 million for a new cost-share program to assist non-industrial private forest landowners in adopting a sustainable forest management practices.

## ***Title IX - Energy***

The farm bill promotes renewable energy production and use on the farm, expands markets for farm-based renewable energy, and enhances rural economic development and jobs. The conference report provides \$405 million over six years, including \$204 million for the USDA bioenergy program, \$6 million for a biobased product purchasing preference program and \$115 for assistance to renewable energy systems and energy efficiency improvements.

**Country of Origin Labeling.** The farm bill requires the country of origin labeling of beef, pork, lamb, fish, fruits, vegetables and peanuts. The Secretary of Agriculture is required to provide guidelines for voluntary labeling by September 30, 2002 and this program would become mandatory in 2004. For a commodity to be labeled a USA product, it must be born (for animals), raised and processed in the United States.

## **New Provisions for Michigan Agriculture**

**Commodity Purchase Program.** For the first time ever, the farm bill includes landmark specialty crop program that I worked hard to have included on behalf of Michigan's fruit and vegetable growers. The \$2 billion permanent program guarantees that a minimum of at least \$200 million will be spent per year on specialty crop commodity purchases to be used in various USDA nutrition programs.

This is an historic change in the law that will last far beyond the life of this six-year farm bill. Not only will these guaranteed purchases help provide critical support for farmers when prices are low, but they will also help feed tens of thousands through the school lunch program and food banks. Historically, fruit and vegetable growers have been all but ignored by the federal government's long-term agricultural policies, but I am very glad to see that this out-dated perspective has ended.

This new provision is widely heralded as a giant step for specialty crops. The United Fresh Fruit and Vegetable Association, which represents growers nation-wide released the following statement about this new program and the farm bill. "We applaud the Congress and its Members who led the fight to develop some of the most progressive and positive agriculture policy initiatives that have been developed through a farm bill process to address the unique needs of the fruit and vegetable producers in the United States."

**Tree Assistance Program.** The Senate farm bill includes a reauthorization for the Tree Assistance Program (TAP), which I authored. TAP will provide 75% of the cost of replacing trees that were damaged and lost due to natural disaster. This is an authorization and does not require any new mandatory spending; it opens the doors for appropriators to provide help.

There is no limit on acreage. Payment limits are set at \$75,000. For growers of tree fruits, the actual tree is one of the major capital investments for the farm. Trees take as much as seven years to mature to the point that they provide fruit for harvest. Tree loss and destruction can be devastating and this program will help these farmers replace lost trees and renew their operations after natural disasters

In another bill, the Agriculture Appropriations Act, I fought to include \$75 million for direct payments to apple farmers who have suffered over the past few years due to severely depressed apple prices. The new farm bill also contains \$94 million in market loss payments for apples.

**Nutrition Promotion Program.** The farm bill contains an authorization for a new 5 state pilot program to promote better nutrition and increase fruit and vegetable consumption, which I authored. This program will be a 50/50 cost share and will support demonstration projects to increase fruit and vegetable consumption and convey health related promotion messages.

**Conservation Security Program (CSP).** As a cosponsor of the Conservation Security Program, I worked to include this legislation in the farm bill. CSP is an innovative new program that will provide payments to ALL Farmers and Ranchers (including specialty crops) for good environmental practices on their working lands. Not only will CSP provide much needed payments to farmers, but it is also an investment in our future by encouraging good conservation to ensure clean air, clean water, and fertile soil for years to come.

**Great Lakes Soil Erosion Program.** At my request, the farm bill also includes an authorization of \$5 million per year for the Great Lakes Soil Erosion Program. While this program has received funding for many years from the appropriators, it has never been authorized. Through a combination of local and federal funds, this program has been very successful in keeping sediment out of the Great Lakes and educating the agricultural community about erosion and water quality.